


Will Fed officials drop a bombshell on interest rates?

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The Marriner Eccles Building, headquarters of the Federal Reserve Board, fronts Constitution Avenue in Washington, D.C., and is a relatively short walk from the West Wing of the White House, maybe 15 minutes, except during the worst of the summer heat.

But, for those working for the Fed and working for a President of the United States, the distance is infinite.

Presidents want low interest rates. The Federal Reserve Board is charged with promoting full employment and low inflation. The ideas sound sort of similar. But often they aren't. And when they butt into one another, fireworks can erupt. 

You'll see that potential when the Fed's rate-making body, the Federal Open Market Committee, meets this week to discuss the economy and where interest rates should be.

The meeting, which starts Tuesday, will end with a 2 p.m. Wednesday decision announcement and a news conference with Fed Chairman Jerome Power starting at 2:30 p.m.

The Fed decision is part of a parade of economic reports this coming week. The reports will reflect and effect everything from mortgage rates to food prices and stock prices. 

So, will the Fed really cuts rates?

The Fed can cut rates at any time, and Wednesday would be just fine with President Trump if the committee puts a rate cut into the FOMC statement. He said Friday he knows more about interest rates than the Fed.

It would also be fine with home builders, real estate developers, companies like And one can be sure Fed Chairman Jerome Powell will be quizzed closely at his news conference after the meeting about the decision, when the Fed expects to cut rates again, and the reaction he expects from the Trump Administration.

President Trump will weigh in later — loudly, especially if the Fed does what everyone expects.

Trump complained about Powell in 2019

But the interest-rate debate is about more than whether Trump, a real estate mogul before turning to television and politics, knows more about rates than the Fed.

It's also personal. In 2019, Trump, who had appointed Powell chairman in 2018, was unhappy with the Fed boosting rates even slightly to 2.25%.

Then, with the federal funds rate trimmed to 2%, Trump wasn't sure who was the bigger enemy, China President Xi Jinping or Jerome Powell.

Boeing (BA) that need affordable financing.

But the president should not hold his breath. According to the CME Group's Fed Watch Tool, there is almost no chance of a rate cut. According to the CME Group's FedWatch tool this week, the Fed will hold its key federal funds rate at 4.25% to 4.5%, a level set in December. There may not be a rate cut until June.

The Fed moved rates up to cut inflation

The Fed very deliberately raised rates from early 2022 until the middle of 2023 to beat down a sudden and sharp inflation surge after the Covid-19 pandemic eased.

Everyone can remember when gasoline prices topped \$5 a gallon during the summer of 2022. Everyone remembers sudden food-price inflation that has eased, though prices haven't fallen.

The Fed's moves pushed interest rates higher and sparked an ugly stock-market selloff. A frenzy of home buying set off by ultra-low mortgage rates was brutally stopped, and home sales finished 2024 at their lowest annual sales rate since 1995.



High rates made life hard for businesses or investors dependent banks to finance their operations.

Trump really wants to control the Fed, but he can't fire Powell because the central bank has been run as an independent agency since 1951.

Trump would like Powell to leave, but the chairman has said he will serve until his four-year term expires in 2026. Actually, before the 2024 election, he was asked if he would resign if Trump won, Powell said, "No."

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The PCE report and other big reports of the week

The Fed decision will come in a week that includes reports on new-home sales on Monday, a report how fast the economy is growing and, on Friday, a widely watched report on consumer inflation.

Most important from the Fed's point of view is the Personal Consumption Expenditures Price Index report on Friday. The overall index should measure inflation at 2.6% year over year with core PCE coming in at 2.8%.



The Fed wants inflation to run at 2% and has been frustrated for a year that it hasn't happened and are reluctant to cut rates further without proof that the goal can be achieved.

Also coming are:

- The Gross Domestic Product report, the broadest measure of economic activity, due Thursday. Wall Street wants the economy to grow at least 2.5% a year.
- Jobless claims, due Thursday.
- New-home sales, due Monday.
- Personal income, due Friday.

